



## Health Care Reform **Bulletin**

# IRS Releases Figures for Determining Individual Mandate Penalty Cap in 2015

Provided by JRG Advisors, LLC

### Quick Facts

- IRS Rev. Proc. 2015-15 provides the 2015 monthly national average bronze plan premium.
- This amount serves as the cap for any penalty owed under the ACA's individual mandate.

In 2015, the individual mandate penalty is capped at:

- **\$2,484** per year for each individual; and
- **\$12,420** per year for a family with five or more members.

**In 2015, the monthly national average premium for bronze-level QHPs is \$207 per individual and \$1,035 for a family with five or more members.**

The Affordable Care Act (ACA) requires most individuals to obtain acceptable health insurance coverage for themselves and their family members or pay a penalty. This rule, which took effect in 2014, is often referred to as the individual mandate. The penalty amount that an individual must pay is capped at the annual national average bronze plan premium.

On Jan. 16, 2015, the Internal Revenue Service (IRS) released [Revenue Procedure 2015-15](#) (Rev. Proc. 2015-15), which provides the 2015 monthly national average premium for bronze-level plans. For 2015, the monthly national average premium for bronze-level qualified health plans (QHPs) is:

- **\$207** per individual (**\$2,484** annually); and
- **\$1,035** for a family with five or more members (**\$12,420** annually).

Rev. Proc. 2015-15 is effective for taxable years ending after Dec. 31, 2014.

### Background

Beginning in 2014, individuals who do not obtain minimum essential coverage for one or more months will be liable for a penalty under the individual mandate (unless an exception applies). The penalty amount is calculated and

paid when the individual files his or her federal income tax return for the year.

The penalty amount is the greater of two amounts: a flat dollar amount or a percentage of the individual's income. However, the penalty amount that an individual must pay is **capped at the national average bronze plan premium** for the individual's family size. Thus, for each taxable year, the penalty amount is the **lesser of**:

- The sum of the monthly penalty amounts; or
- The sum of the monthly national average bronze plan premiums for the shared responsibility family.

This cap is based on the annual national average premium for QHPs that:

- Have a bronze level of coverage;
- Would provide coverage for the individual's family members who are liable for a penalty under the individual mandate; and
- Are offered through the Exchange for that plan year.



### Individual Mandate Cap in 2014

For 2014, the monthly national average premium for bronze-level QHPs was:

- **\$204** per individual (**\$2,448** annually); and
- **\$1,020** for a family with five or more members (**\$12,240** annually).

### Methodology Used to Determine the National Average Premium Amount

Under the ACA, non-grandfathered health insurance coverage, including QHPs offered through Exchanges, can only consider the following four factors when setting individual premium rates:

1. The rating area;
2. Age;
3. Tobacco use; and
4. Family size.

[Revenue Procedure 2014-46](#) describes the methodology used to determine the monthly national average bronze premium plan. Based on the ACA's rating factors, the monthly national average bronze plan premium for an individual who does not obtain minimum essential coverage is determined by using a population-weighted average of the premium in each county (or county equivalent) that would be charged to a 21-year-old individual who does not use tobacco.

In determining a taxpayer's monthly national average bronze plan premium for a family, the age-21, non-tobacco user premium described above is multiplied by the number of family members who are liable for a penalty, up to a maximum of five.

Based on these factors, the 2015 monthly national average premium for bronze-level QHPs is **\$207** per individual and **\$1,035** for a family with five or more members. This means that, annually, the individual mandate penalty amount is capped at **\$2,484 per year** for each

individual, and **\$12,420** per year for a family with five or more members.

